

## Message Text

SECRET

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ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /031 W

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O R 220800Z APR 74

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC IMMEDIATE 1881

INFO AMEMBASSY TOKYO

S E C R E T JAKARTA 4812

EXDIS

E.O. 11652: GDS

TAGS: ENRG, JA, ID

SUBJ: INDONESIAN LNG

REF: TOKYO 5226

1. IF DEPARTMENT FEELS USG PARTICIPATION IN PACIFIC LIGHTING APPROACH TO GOJ AS RECOMMENDED IN REFTTEL WILL SERVE TO DISPEL JAPANESE NOTION OF USG INDIFFERENCE RE JAPANESE ENERGY POLICY, WE WOULD NOT OPPOSE SUCH PARTICIPATION.
2. WE WOULD, HOWEVER, ASK DEPARTMENT'S AUTHORIZATION TO INFORM INDONESIANS OF ACTION TO BE TAKEN BY EMBASSY TOKYO, PREFERABLY IN ADVANCE, AND OF REASONS BEHIND IT. THIS WOULD REDUCE RISK OF NEGATIVE INDONESIAN REACTION IN EVENT THEY HEAR OF APPROACH FIRST FROM JAPANESE SOURCES. INFORMING INDONESIANS WOULD ALSO SERVE TO LET THEM KNOW OF OUR CONCERN OVER RESULTS OF THIS CONTRACT NEGOTIATION.
3. IN FAIRNESS TO JAPANESE, IT IS NOT CLEAR TO US THAT GOJ IS WHOLLY RESPONSIBLE FOR HIGH LNG PRICES. FROM JAKARTA VANTAGE POINT, IT APPEARS THAT JAPANESE WERE CAUGHT IN DILEMMA LAST DECEMBER AND HAD LITTLE CHOICE BUT TO ACCEPT HIGHER BASE PRICE AND OIL/GAS LINK OR RISK LOSING ACCESS TO INDONESIAN LNG AND,

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PERHAPS, FUTURE OIL DELIVERIES. WHETHER JAPANESE

WERE ATTEMPTING TO "OUTBID" PL IS ALSO UNCLEAR.  
ALTHOUGH JAPANESE MAY HAVE HOPES OF RECEIVING ADDITIONAL  
LNG IF PL DEAL FALLS THROUGH, OUR IMPRESSION IS THAT  
GOI/PERTAMINA HAVE GIVEN CONSISTENT SIGNALS OF INTENT  
TO SELL PART OF LNG TO U.S. AND THAT JAPANESE AWARE  
OF THIS. IT WOULD APPEAR TO US THAT THIS IS CASE  
WHERE INDONESIANS PLAYED CARDS SKILLFULLY TO MAXIMIZE  
RETURN ON RESOURCES.

4. LEHMAN BROS, REP NOW IN JAKARTA INFORMED EMBOFF  
APRIL 21, ON BASIS PREVIOUS DISCUSSIONS WITH PERTAMINA  
OFFICIAL TIRTO UTOMO (WHO HAS JUST RETURNED TO JAKARTA  
FROM TALKS WITH PACIFIC LIGHTING IN LOS ANGELES), THAT:

A. IBNU SUTOWO CONTINUES TO BELIEVE PERTAMINA  
CANNOT ACCEPT MORE THAN THIRTY CENTS DIFFERENCE (PER  
MILLION BTU) BETWEEN JAPANESE AND PACIFIC LIGHTING  
PRICES;

B) SINCE \$1,839 F.O. B. (PER MILLION BTU) IS PRICE  
TO JAPANESE, PACIFIC LIGHTING'S MOST RECENT OFFER OF  
\$1.20 (PER MILLION BTU) IS STILL ABOUT THIRTY CENTS  
SHORT;

C) WHILE IBNU REGRETS THE POSSIBLE COLLAPE OF  
DEAL WITH PACIFIC LIGHTING, HE IS NOT PREPARED TO  
RECOMMEND THAT PRESIDENT SUHARTO AUTHORIZE MORE THAN  
THIRTY CENTS DIFFERENCE EVEN IF CONFIDENT HE (IBNU)  
COULD WITHSTAND INEVITABLE DOMESTIC CRITICIS. (NOTE:  
WE UNDERSTAND THAT, DEPENDING ON OTHER TERMS IN CONTRACT  
AND FUTURE PRICE OIL, THIRTY CENTS DIFFERENCE COULD AMOUNT  
TO \$2-4 BILLION OVER 20-YEAR CONTRACT PERIOD.)

D) IF PACIFIC LIGHTING DEAL FALLS THROUGH, IBNU  
WILL PROBABLY DECIDE--RATHER THAN SEEKING ANY ALTERNATE  
CUSTOMER FOR LNG--THAT PERTAMINA WILL USE GAS FOR MAJOR  
PETROCHEMICAL COMPLEX (\$600 TO \$800 MILLION) IN ACEH.  
TIRTO ADDED (THOUGH WE ARE NOT YET IN POSITION TO JUDGE  
HOW RELIABLE OR FIRM THIS IS) THAT IBNU WILL PROBABLY  
GIVE DOW CHEMICAL GO AHEAD FOR THIS PETROCHEMICAL  
COMPLEX--IN PART, ACCORDING TO TIRTO, TO SIGNAL  
IBNU'S AND PERTAMINA'S GOOD INTENTIONS TOWARD THE U.S.  
NEWSOM

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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** LPG, NATURAL GAS, POLICIES, PRICES, NEGOTIATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 22 APR 1974  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** BoyleJA  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974JAKART04812  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D740093-0510  
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**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION SS  
**Original Classification:** SECRET  
**Original Handling Restrictions:** EXDIS  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:**  
**Previous Classification:** SECRET  
**Previous Handling Restrictions:** EXDIS  
**Reference:** TOKYO 5226  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** BoyleJA  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 24 JUL 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <24 JUL 2002 by martinml>; APPROVED <26 MAR 2003 by BoyleJA>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** INDONESIAN LNG  
**TAGS:** ENRG, JA, ID, US, PACIFIC LIGHTING  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005